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"Free" Community College Is a Bad Deal for Taxpayers and Students

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In response to a growing student debt problem, some policymakers have proposed making community college free at the point of delivery, financed entirely by taxpayers.[1] President Obama has suggested making "two years of college…as free and universal in America as high school is today."[2]

Yet such proposals are problematic for a number of reasons, not the least of which is subjecting community colleges, considered by many today to be an affordable option, to the same types of subsidies-induced inflation endemic at four-year institutions. Taxpayer-financed "free" community college also prefers the community college sector over for-profit and trade schools, and creates potential opportunity costs for those students who might have been better served by immediately entering the workforce. Further, community colleges suffer from generally poor academic performance, with few students graduating within 150 percent of program time.[3] Finally, low-income students already have access to federal Pell Grants, which can cover the bulk of community college tuition.

Indeed, the idea of "free" community college itself is misleading, as the cost of education for these students would not disappear. Rather, because the American taxpayer would pick up the tab entirely for a community college system that is universally available—just as the K–12 system is today—such proposals are more likely to look like extended high school than a rigorous higher education experience.

Do Community College Students Need Additional Subsidies?

Is tuition within the community college sector currently too burdensome for students, and are existing subsidies inadequate? Federal subsidies already exist to make community college more affordable for low-income students. According to the Association of Community College Trustees, 3.2 million of the 8 million students attending community college each year finance their tuition through Pell Grants.[4] The average Pell Grant award for a community college student is $3,200, which covers nearly all of the annual average community college tuition of $3,440.[5] For many low-income students, Pell Grants cover most of the tuition at community college, and only 17 percent of students at public two-year schools borrow through federal student loans.[6]

Community colleges may not be adequately preparing students for success in the workforce, if student loan default rates are any indication. Many students with federal loans are having difficulty repaying them. Of the community college graduates who started to repay their loans in 2009, 38 percent defaulted on their loans within five years, compared to 10 percent of students at four-year institutions and 47 percent of for-profit students over the same time period.[7] The answer to this problem is not to remove any financial responsibility on the part of the student; rather, students need to examine whether community college is a good investment in the first place.

This paper, in its entirety, can be found at
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Academic Underperformance at Community Colleges

Community colleges have a poor track record of getting students on the path to upward mobility. Fewer than 20 percent of students attending community college full-time for the first time complete their program within 150 percent of the time their program is supposed to take.[8] In other words, the vast majority of students are taking three years or more to complete a two-year course of study. While it is often assumed that the low on-time graduation rates are due to most students transferring to four-year institutions, only two in 10 students at public two-year colleges do so. Additionally, The Community College Research Center found that only 38.1 percent of students who enrolled in community college in 2009 earned a two-year or four-year degree within six years.[9] By comparison, for-profit two-year institutions have an average completion rate of 63 percent.[10]

Turning the K–12 System into a K–14 System

Entirely taxpayer-subsidized community college would more resemble two extra years of high school than a rigorous higher education track, and could dampen the urgency for American high schools to graduate students on time and with the necessary skills for postsecondary life.[11] With more than one-third of college freshman reporting taking remedial courses, the shortcomings in the K–12 system should be addressed. Subsidizing community college outright is likely to only worsen the problem of credential inflation.[12]

Although President Obama has stated that everyone needs at least some college, there is little evidence to suggest that such an emphasis reflects the labor market's increased demands for a college diploma.[13] The Bureau of Labor Statistics (BLS) has projected that between 2012 and 2022, only 27 percent of new jobs will require a bachelor's degree, and twice as many will require no postsecondary degree at all.[14]

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2. Kelly Field, "Obama Presses for Free Community College and Tax Reform," *The Chronicle of Higher Education*, January 21, 2015, http://chronicle.com/article/Obama-Presses-for-Free/151319/ (accessed July 13, 2016).
3. Jolanta Juszkiewicz, *Trends in Community College Enrollment and Completion Data, 2015* (Washington: American Association of Community Colleges, 2015), http://www.aacc.nche.edu/Publications/Reports/Documents/CCEnrollment_2015.pdf (accessed July 13, 2016).
4. Association of Community College Trustees, "Pell Grants," http://www.acct.org/pell-grants (accessed July 13, 2016).
5. College Board, "Trends in College Pricing 2015," *Trends in Higher Education Series*, p. 22, http://trends.collegeboard.org/sites/default/files/2015-trends-college-pricing-final-508.pdf (accessed July 13, 2016).
6. Association of Community College Trustees, "Cohort Default Rates," http://www.acct.org/cohort-default-rates (accessed July 13, 2016).
7. Adam Looney, "A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions They Attend Contributed to Rising Loan Defaults," *Brookings Papers on Economic Activity*, September 10, 2015, http://www.brookings.edu/~/media/projects/bpea/fall-2015_embargoed/conferencedraft_looneyyannelis_studentloandefaults.pdf (accessed July 13, 2016).
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10. Neal McCluskey, "Even For-profit Universities Are Better Than AMERICA'S Terrible Community Colleges," January 13, 2015, https://www.washingtonpost.com/posteverything/wp/2015/01/13/even-for-profit-universities-are-better-than-americas-terrible-community-colleges/ (accessed July 13, 2016).
11. Neal McCluskey, "College for All Would Set Many up for Trouble," Cato Institute, January 15, 2015. http://www.cato.org/publications/commentary/college-all-would-set-many-trouble (accessed July 13, 2016).
12. Krista Mattern, Emily Shar and Jessica Marini, "Does College Readiness Translate to College Completion?" *College Board Research Note 2013-9*, https://research.collegeboard.org/sites/default/files/publications/2014/1/research-note-2013-9-college-readiness-college-completion.pdf (accessed July 13, 2016).
13. Claudio Sanchez, "Should Everyone Go To College?" NPR, July 15, 2009, http://www.npr.org/templates/story/story.php?storyId=106636657 (accessed July 13, 2016).
14. Bureau of Labor Statistics, "Economic News Release," December 19, 2013, http://www.bls.gov/news.release/ecopro.t07.htm (accessed July 13, 2016).

As Richard Vedder, an economist at the University of Ohio, has argued:

> [T]he BLS says registered nurses or secretaries and administrative assistants need less than a bachelor's degree, employers of those workers are increasingly demanding degrees—because they can—causing large-scale credential inflation and increasing unemployment among the lesser educated.[15]

More Federal Programs Are Not the Answer

Federal subsidies have not led to increased efficiency, affordability, or financial solvency in the higher education sector. Since 2008, policies promulgated under the Obama Administration have more than doubled the number of Pell Grant recipients.[16] These federal grants exist to help low-income students attend college. Yet an analysis by the Federal Reserve Bank of New York found that institutions increased tuition by 40 cents for every one dollar increase in Pell Grant funding. Subsidized loans similarly lead to a tuition increase of 63 cents for every additional dollar spent.[17] Colleges and universities are responding rationally to the economic incentives provided by unfettered access to federal student loans—by spending more—while students and taxpayers bear the burden of federal largesse.

Since more are students taking out federal loans to finance higher education, universities are able to increase tuition without students feeling the immediate impact of the price increase. More federal money in the community college system is likely to produce similar incentives in the community college sector. President Obama's plan, America's College Promise, for example, would require the federal government to cover two-thirds of a student's tuition and require states to pick up the remaining tab to ensure that community college tuition comes at no cost to the student. Missing from the President's plan are any measures to keep community colleges from increasing spending, and thus capturing the new subsidies.

Conclusion: Rein In Subsidies to Create Tuition Price Discipline

The current community college system has a poor track record of graduating students on time and preparing them for promising careers. Transferring the financial burden from students to taxpayers will more heavily subsidize and favor this deficient education model and increase the overall price of education. By contrast, a more open market of alternative schooling models, such as online or vocational education programs, could better tailor degrees to a specific skill set and at a lower cost. Improving the higher education system overall requires targeting the actual root cause of tuition inflation: unfettered federal subsidies and grants.

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15. Richard Vedder, "Congrats on That Diploma. You May Not Need It," Bloomberg View, May 25, 2014. https://www.bloomberg.com/view/articles/2014-05-25/congrats-on-that-diploma-you-may-not-need-it (accessed July 13, 2016).
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